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Approved by:

Suzanne Heinen
U.S. Embassy

Prepared by:

Luis Chavez, Dulce Flores, Gabriel Hernandez, Benjamin Juarez, and Jeff Nawn

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Includes PSD Changes: No
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Unscheduled Report
Mexico [MX1]
[MX]

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

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DROUGHT ADDING TO PRESSURE TO MIGRATE IN ZACATECAS

A severe drought that has ravaged the agricultural industry in Zacatecas may result in even further migration from a state that already has an estimated third of its population living in the United States, said experts. Furthermore, one migration researcher at the Autonomous University of Zacatecas (UAZ) predicted that the amount of remittances sent back to Zacatecas from residents working in the United States is likely to increase during the coming months. "The dollars that are sent home by (migrants in the United States), even more than their economic impact in terms of subsidizing families, represent the strength of interpersonal relationships," said Miguel Moctezuma Longoria, a UAZ professor. As such, it is common to see an expression of "profound solidarity when someone in the homeland needs more support." The drought that has ravaged Zacatecas has partially damaged 700,000 hectares of crop land in the state, and completely wiped out another 300,000 hectares, said the state Agricultural Development Secretariat. At least 15,000 small farmers have lost their entire harvest and require urgent assistance of some 240 million pesos (US \$ 2.2 million), reported the agency. Most of the affected crops were beans and corn. The director of the State Migration Institute, Fernando Robledo Martinez, stopped short of suggesting that the drought would cause a "mass exodus" of Zacatecans, but acknowledged that for many affected farmers, there would be "no other road" than to head north. (El Universal; 10/31/2005)

PRESIDENT FOX APPROVES MONETARY RESOURCES FOR AI PLAN

President Vicente Fox approved a spending package of USD \$55.6 million, within the 2005 federal budget, for a National Preparedness and Response Plan to face a possible Avian Influenza (AI) pandemic. "As soon as the presence of the virus is detected, Mexico will be one of the first nations to respond with resources to treat the disease. We will maintain permanent surveillance in order to avoid or eliminate any minimal risk", Fox said. In a similar vein, Secretary of Health (SSA) Julio Frenk outlined Mexico's proposal for the creation of an international antiviral reserve. (Source: Reforma; 10/31/2005)

BANXICO ADJUSTS ECONOMIC GROWTH GOAL FOR 2005

The Bank of Mexico (BANXICO) announced the 2005 economic growth forecast to be between 2.75 and 3.25 percent, down from the previous 3.5 to 3.75 percent growth forecast. Manuel Ramos Francia, general director of economic research at the central bank, remarked that the reduced growth forecast is due to lower industrial activity and slower

growth in the services sector. "Mexico's inflation rate maintains a decreasing pace of growth, and is forecast to be around 3.5 percent by the end of 2005", Ramos Francia concluded. (Source: El Universal; 10/31/2005)

"ASYMMETRIC" DEVELOPMENT OF THE AGRICULTURAL SECTOR IN LATIN AMERICA

The Economic Commission for Latin America and the Caribbean highlighted that between 1990 and 2000, Mexico's agricultural trade deficit almost has doubled. "The deficit has grown from U.S. \$1.29 billion to \$2.110 billion (in real terms of 1989-91)," and since then this negative trade deficit has reached U.S. \$ 2.5 billion in 2003. The Commission commented that one of the most problematic issues at this time is the noticeable migration of young men from the Mexican countryside, generating an imbalance in productivity and population growth. The Commission also stated that migration from Mexico to the United States represents an annual movement of 300,000 people, approximately 43 percent of whom are from rural areas. (Source: El Financiero; 11/01/2005)

NAFTA LOSES IMPACT

According to the World Trade Organization (WTO), NAFTA is the least dynamic commercial block in the world. Additionally, amongst large commercial blocks, NAFTA registers the largest trade deficit, almost 10 times greater than that of the European Union. Experts believe that, among other factors, the slowdown of the U.S. economy at the beginning of the decade, the opening of the Chinese market, and market integration in the European Union have influenced this situation. (Source: Reforma; 11/02/2005)

MEXICO TO PUSH FOR REVIVAL OF FTAA DISCUSSION

President Vicente Fox will ask his counterparts at the Summit of the Americas in Argentina to set a date to re-launch negotiations for the Free Trade Area of the Americas (FTAA), stated Yanerit Morgan Sotomayor, a top official at the Foreign Relations Secretariat. According to Sotomayor, Mexico will try to revive negotiations for the hemisphere-wide free trade agreement, or at least "maintain the process to continue negotiations." The effort to create a so-called FTAA, which would include every country in the Western Hemisphere, except Cuba, has been stalled, as Brazil and the United States have not been able to agree on contentious issues such as farm subsidies and intellectual property rights. Negotiations have already missed an original January 2005 deadline for concluding the talks, despite a watered-down two-tier approach that has been dubbed "FTAA lite" by critics. Sotomayor said Mexico would like to see negotiations reactivated early next year, at the latest. The FTAA proposal initially came out of the first Summit of the Americas in 1994 in Miami. (Source: El Universal; 11/03/2005)

PROCAMPO WILL DISAPPEAR IN 2008: SAGARPA

Mexico's Agriculture Secretary, Francisco Mayorga Castañeda, stated that in 2008, when the Mexican market opens up to imports of corn, beans, sugar and powder milk imports under the NAFTA framework, the support program PROCAMPO will be dismantled. Mayorga made this announcement during the 35th Assembly of the Mexican Association of Secretaries of Agricultural Development. He also asked the state governments to propose a program to replace PROCAMPO.

Mexico initiated the PROCAMPO program in October 1993 to facilitate the transition to more market oriented policies from the previous system of guaranteed prices. It provides direct cash payments at planting time on a per hectare basis to growers of many crops - including corn and dry beans. These payments will remain constant in real terms until the fall/winter 2005/06 planting cycle, when they will begin decreasing in linear terms until December 31, 2008. (Source: Notimex; 11/31/2005)

ECONOMISTS CUT INFLATION FORECAST

Economists who cover Mexico lowered their forecast for inflation over the next 12 months to 3.79 percent from 3.89 percent, the fifth straight reduction, according a central bank monthly survey taken between October 26 and November 2. In addition, the average forecast for inflation between 2006 and 2009 fell for the fifth straight month, to 3.58 percent from 3.66 percent a month ago. Inflation has slowed in Mexico as the gains in the currency have driven down the cost of imports, and as central bank interest-rate increases in 2004 and the first half of 2005 curbed consumer demand. Mexico may cut its benchmark overnight rate to 9 percent by the end of the year in a bid to bolster economic growth, stated Gray Newman, chief Latin American economist at Morgan Stanley in New York. (Source: El Universal; 11/04/2005)

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MX5094	Mexico Announced The White Corn Allocation Rules For 2005	10/14/05
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FAS/MEXICO EMAIL

To reach us at FAS/Mexico:

AgMexico@usda.gov, ATOMexico@usda.gov, or
ATOMonterrey@usda.gov